

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-06 NEA-09 ISO-00 SP-02 AID-05 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC PRIORITY 8178

AMEMBASSY TOKYO PRIORITY

AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

LIMITED OFFICIAL USE NEW DELHI 5180

DEPARTMENT PLEASE PASS TO TREASURY

E. O. 11652: N/A

TAGS: EFIN, IN

SUBJ: INDIAN DEBT RESCHEDULING

1. SUMMARY. GOI SEES JAPAN AS KEY TO ARRANGEMENTS IN CONSORTIUM SUCH THAT US NON-PARTICIPATION IN DEBT RESCHEDULING DOES NOT SIGNIFICANTLY REDUCE ASSISTANCE TO INDIA. END SUMMARY.

2. AT WORKING LUNCH TREASURY UNDER SECRETARY BENNETT AND BUSHNELL REVIEWED US PROBLEMS WITH DEBT RESCHEDULING AND OUR APPROACH TO PROBLEM WITH FINANCE SECRETARY M. G. KAUL OTHER GOI OFFICIALS. FINANCE MINISTER DID NOT RAISE SUBJECT WITH SECRETARY SIMON DURING FORMAL CALL.

3. KAUL CONFIRMED REPORTS THAT FRG WILL RESCHEDULE AND UK VERY LIKELY DO SO REGARDLESS ACTIONS OTHERS. KAUL SAID INDIA MUCH APPRECIATES PL 480 ASSISTANCE AND UNDERSTANDS US PROBLEMS WITH LIMITED OFFICIAL USE

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RESCHEDULING AS AID MECHANISM. HE SAID KEY PROBLEM IS JAPAN

WHICH LIKELY USE US NON-PARTICIPATION AS EXCUSE NOT RESCHEDULE AND TO REDUCE ITS TOTAL ASSISTANCE. KAUL SAID HE CONCERNED WITH US PROPOSE FREE FOREIGN EXCHANGE FORMULA AND OTHER FORMULAS BEING CONSIDERED BY WORLD BANK BECAUSE NONE OF THESE WOULD ASSURE MAINTENANCE TOTAL AID LEVELS. SAID JAPAN WOULD TAKE ADVANTAGE ANY THESE FORMULAS TO REDUCE ITS ASSISTANCE.

4. BUSHNELL POINTED OUT THAT TOTAL CONSORTIUM ASSISTANCE TO INDIA HAS NEVER BEEN SUBJECT ANY BURDEN SHARING FORMULA. ONLY DEBT RELIEF, WHICH 15 PERCENT ASSISTANCE OR LESS, HAS HAD FORMULA. SAID US NOT REPEAT NOT INSISTING ON HAVING ANY FORMULA AND COULD EASILY SUPPORT GOI IDEA OF NO FORMULA IF GOI BELIEVES THAT BEST WAY MAXIMIZE CONSORTIUM AID.

5. KAUL ASKED US TO PRESS JAPANESE TO RESCHEDULE. BENNET POINTED OUT USG DOES NOT IN PRINCIPLE FAVOR DEBT RESCHEDULING AS MEANS PROVIDE AID AND THUS COULD NOT URGE ANOTHER DONOR TO USE DEBT RESCHEDULING MECHANISM. HOWEVER, BENNETT AGREED TALK WITH JAPANESE AT ADB MEETING TO ENCOURAGE GOJ NOT REDUCE ITS TOTAL ASSISTANCE TO INDIAN AS RESULT US NON-PARTICIPATION IN DEBT RESCHEDULING. IT WAS AGREED MAINTAIN CLOSE CONTACT ON THIS ISSUE DURING ADB MEETING.

6. KAUL CONCLUDED THAT US AND GOI OBJECTIVES ARE SAME: TO AVOID US NON-PARTICIPATION IN DEBT RESCHEDULING AFFECTING TOTAL LEVEL ASSISTANCE FOR INDIA.

7. WOULD APPEAR DESIRABLE FOR JAPANESE BE FOREWARNED THAT EFFORTS ARRANGE CONSORTIUM SCENARIO WITHOUT US RESCHEDULING AND WITHOUT REDUCTION ASSISTANCE TO INDIA NOW FOCUS ON GOJ. IN THIS CONNECTION EMBASSY TOKYO MIGHT NOT TO GOJ THAT IN INDIA FISCAL YEAR 1975 US EXPECTED TO BE LARGEST BILATERAL AID DONOR WITHOUT ANY US RESCHEDULING. SAXBE

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